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Edmonton, Alberta T6G 2R6



1995
ANNUAL
REPORT

ROBERTS
BAY
RESOURCES
LTD.

COMPANY PROFILE



Roberts Bay Resources Ltd. completed its first full year of operations March 31, 1995. The Company was incorporated in May, 1993 and listed on the Alberta Stock Exchange as a Junior Capital Corporation on January 14, 1994 under the trading symbol "RBR".

On April 4, 1994, the Company completed its required "major transaction" by the purchase of four producing wells located near Rowley, Alberta. Part of the proceeds of a Private Placement financing of \$1,300,000, which took place concurrently, were used to make the production property purchase.



TO THE SHAREHOLDERS

Strategy and Objectives



Roberts Bay plans to create several core areas of operation in central and southern Alberta. The Company aims to have a relatively high working interest in a solid production base primarily built on acquisitions and subsequent development drilling.

This strategy accompanied by rigorous control of General and Administrative and other expenses should lead to enhanced shareholder value. I believe that all our shareholders should be encouraged by the extent to which the current management of Roberts Bay are also major shareholders. Management by major shareholders does not guarantee success, but it should assure investors that management and the Company's shareholders at large have the same objectives.

The Year In Summary



Modest success was achieved in 1995, but the year should essentially be viewed as a formative one for Roberts Bay.

At Badger in southern Alberta we drilled two successful oil wells at 8-26-16-18-W4M (45% net interest) and 15-23-16-18-W4 (20% net interest). Each well is capable of production of 10³m per day (63 bbls). Production from these two wells will be monitored for another few months. If favourable production rates are maintained, Roberts Bay will begin an infill development drilling program of up to three low risk locations.

Our present gas production is approximately 28 10³m³ (approximately 993 thousand cubic feet per day) while our daily oil production is 3 cubic metres or 18.9 barrels per day.

The natural gas price we have received in 1994-95 has been \$1.54 per gigajoule. While our volumes for the 12 month period, commencing November 1, 1995, are expected to remain the same, weak natural gas prices may reduce our price to the \$1.15 - \$1.20 range.

Looking Ahead



In early fall the Company will participate as to 20% in an exploratory Belloy oil test to be drilled at Virginia Hills, Alberta. Success on this 2,720 acre prospect could bring about significant reserve additions for Roberts Bay.

As we go to press, the Company is negotiating to purchase an Immigrant Investor Fund so as to provide Roberts Bay with low cost debt funding. Shareholders will be kept advised of our efforts.

Roberts Bay has also set in motion a series of events which could provide shareholders with the opportunity to acquire a very valuable asset over the next 12 to 18 months.

G.R. Hugo

G.R. Hugo
Chairman of the Board

August 2, 1995

AUDITORS' REPORT

**To The
Shareholders**

**Roberts Bay
Resources Ltd.**



We have audited the balance sheets of Roberts Bay Resources Ltd. as at March 31, 1995 and 1994 and the statements of income and deficit and changes in financial position for the year ended March 31, 1995 and for the nine and one half month period ended March 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the year ended March 31, 1995 and for the nine and one half month period ended March 31, 1994 in accordance with generally accepted accounting principles.



Chartered Accountants

Calgary, Alberta
July 26, 1995

BALANCE SHEETS

As at March 31	1995	1994
Current		
Cash and term deposits	\$ 65,467	\$ 91,288
Accounts receivable	95,113	6,859
Investments, at cost which approximates market value	85,862	-
Prepaid expenses	1,915	14,823
	248,357	112,970
Property, plant and equipment (Note 3)		
Oil and gas properties	1,693,617	564,228
Well equipment	49,000	159,000
Furniture and equipment	32,663	30,085
	1,775,280	753,313
Less accumulated amortization and depletion	(267,271)	(3,267)
	1,508,009	750,046
	\$1,756,366	\$863,016

Current		
Accounts payable	\$ 98,386	\$695,156
Accrued liability for future site restoration and abandonment	8,500	-
	106,886	695,156
Share capital (Note 4)	1,823,044	194,642
Deficit	(173,564)	(26,782)
	1,649,480	167,860
	\$1,756,366	\$863,016

Approved on behalf of the Board:

Director

G.R. Hugo

Director

FJ Waulan

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF INCOME AND DEFICIT

For the period ended March 31	Twelve months 1995	Nine and one half months 1994
Oil and gas revenue, net of royalties	\$ 408,637	\$ -
Expenses		
Depletion, amortization and site restoration	272,504	3,267
Operating	121,315	-
General and administrative	228,142	23,515
	621,961	26,782
Loss from operations	(213,324)	(26,782)
Other Income		
Gain on sale of investments	32,647	-
Interest and other	33,895	-
	66,542	-
Net loss for the period	(146,782)	(26,782)
Deficit, beginning of period	(26,782)	-
Deficit, end of period	\$ (173,564)	\$ (26,782)
Loss per share	\$ (0.025)	\$ (0.011)

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Cash provided
(used) by

For the period ended March 31	Twelve months 1995	Nine and one half months 1994
Operating Activities		
Operations		
Net loss for the period	\$ (146,782)	\$ (26,782)
Items not involving cash		
Depletion, amortization, and site restoration	272,504	3,267
Gain on sale of investments	(32,647)	-
	93,075	(23,515)
Changes in non-cash working capital balances		
Accounts receivable	(88,254)	(6,859)
Prepaid expenses	12,908	(14,823)
Accounts payable	(596,770)	695,156
	(579,041)	649,959
Financing Activities		
Issue of shares, net of issue costs	1,628,402	194,642
Investing Activities		
Oil and gas property additions	(1,569,389)	(723,228)
Proceeds on disposal of oil and gas properties	550,000	-
Purchase of other capital assets	(2,578)	(30,085)
Purchase of investments	(459,647)	-
Proceeds on sale of investments	406,432	-
	(1,075,182)	(753,313)
Increase (decrease) in cash	(25,821)	91,288
Cash, beginning of period	91,288	-
Cash, end of period	\$ 65,467	\$ 91,288

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 1995 and 1994

1. General and Operations

The Company was incorporated under the Alberta Business Corporations Act on April 27, 1993.

For the period ended March 31, 1994, the statement of income and deficit reflects the operations for the nine and one half month period commencing June 15, 1993. There is no production revenue recorded for this period as the Company acquired production properties with a closing date of April 4, 1994. Net production revenue for these properties for the period September 1, 1993 to March 31, 1994 has been reflected as a reduction of the purchase price of the related property in the amount of \$106,996 and has been netted against oil and gas properties.

2. Significant Accounting Policies

The following is a summary of the significant accounting policies of the Company.

(a) Oil and gas properties and equipment

The Company follows the full cost method of accounting for its oil and gas properties, wherein all costs related to the exploration for and development of oil and gas reserves are initially capitalized. Costs capitalized included land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities. Proceeds on minor property sales are credited to the net book value of the property and equipment. Gain and losses are not recognized upon disposition of oil and gas properties unless such disposition would significantly alter the rate of amortization and depletion.

Costs capitalized in the cost centres are depleted using the composite unit-of-production method based on proven oil and gas reserves as determined by independent engineers. No depletion has been calculated for the period ended March 31, 1994, as the assets were acquired at the period end.

In applying the full cost method, the Company performs a ceiling test which restricts the capitalized costs less accumulated depletion and amortization from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs and after deducting estimated future costs of site restoration and removal, financing costs, general and administrative expenses and income taxes.

The Company accrues site restoration costs on the basis of actual production. The accrual is based on management's best estimation of these future costs allocated on the ratio of actual production to proven producing reserves. The current year charge of \$8,500 (1994 - Nil) has been reflected along with depletion and amortization expense.

(b) Joint venture accounting

Substantially all of the Company's oil and gas exploration and development activities are conducted jointly with others; the financial statements reflect the Company's proportionate share in such activities.

(c) Investments

Investments are valued at the lower of cost and market.

(d) Capital assets

Capital assets are recorded at cost. Amortization is provided using the declining balance basis at the following annual rates:

Furniture and equipment	- 20%
Computer equipment	- 30%

(e) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act. The Act provides, that where the share issue proceeds are used for exploration, development and land expenditures, that the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation. Oil and gas properties and share capital have been reduced by the anticipated tax effect of the deductions to be renounced.

(f) Future abandonment and site restoration costs

Estimated future abandonment and site restoration costs, net of salvage values, are provided for using the composite unit of production method based upon estimated proven reserves. The estimated future abandonment and site restoration costs provision is recorded as a liability. Payment for such costs will be charged against the liability.

3. Property, Plant and Equipment

During the year, general and administrative expenses of \$83,464 (1994 - \$26,132) were capitalized. Unproven properties in the amount of \$149,000 have been excluded from the depletion calculation. During the year, depletion of \$85,000 was recorded on oil and gas properties under the ceiling test calculation (Note 2(a)).

4. Share Capital

(a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

(b) Issued

Common shares	Number	Consideration
Issue of shares for cash, net of issue costs of \$45,358	3,995,082	\$ 194,642
Balance, March 31, 1994	3,995,082	\$ 194,642
Issued through private offering for cash, net of issue costs of \$12,774	507,500	190,226
Employee stock options exercised for cash	100,000	10,000
Warrants exercised for cash, net of issue costs of \$156,075	3,250,000	1,143,975
Flow-through shares issued for cash, net of issue costs of \$52,145	1,271,438	507,502
Reduction of carrying value from renunciation of tax benefits on flow through shares	-	(223,301)
Balance, March 31, 1995	9,124,020	\$1,823,044

- (c)** On September 15, 1994 the Corporation entered into an agreement with a company controlled by an officer of the Corporation which resulted in the issue of 1,021,438 units, each of which comprised one flow-through share and one non-transferable share purchase warrant, in exchange for marketable securities valued at \$459,647. The warrants entitle the holder to purchase one flow-through common share for \$0.45 if purchased before September 16, 1995 and for \$0.50 to September 15, 1996. A further 250,000 flow through shares were issued December 30, 1994.

(d) Stock options

The Corporation has established a Stock Option Plan for its directors, officers and employees, and has granted options as follows:

Number of shares	Price	Expiration Date
100,000	\$0.50	September 20, 1995
249,754	0.10	June 15, 1998
100,000	0.50	January 31, 1999
50,000	0.36	April 20, 1999
25,000	0.36	May 5, 1999
100,000	0.33	September 5, 1999
624,754		

In addition, 170,000 broker options are outstanding, carrying the right to purchase 170,000 common shares of the Corporation, exercisable at \$0.10 per share until July 14, 1995.

5. Related Party Transactions

The Corporation issued 1,021,438 flow-through common shares to a company controlled by an officer of the Corporation (Note 4(c)).

6. Income Taxes

The Company has non-capital losses of approximately \$209,000 (1994 - \$132,000) which can be used to reduce the taxable income of future years. These losses expire as follows: \$132,000 - 2001, \$77,000 - 2002. The potential benefits of these losses have not been recognized in the financial statements.

7. Earnings (Loss) Per Share

Basic earnings per share	\$ (0.025)	\$ (0.011)
Cash flow from operations per share	\$ 0.016	\$ (0.010)
Weighted average number of shares outstanding	5,787,107	2,404,051

8. Subsequent Event

On July 13, 1995, broker options were exercised to purchase 170,000 common shares of the Corporation at \$0.10 per share (Note 4(d)).

9. Comparative Figures

Certain prior year figures have been restated to conform with current year's presentation.

CORPORATE INFORMATION

DIRECTORS

G. RAMON HUGO

Chairman and C.E.O.
Petroleum Economist
Sidney, B.C.

G. RAMON HUGO

Chairman and C.E.O.

OPERATING PERSONNEL

ROBIN J. HUGO

Vice-President

ROBIN J. HUGO

Vice-President, Land, Secretary
Roberts Bay Resources Ltd.
Cochrane, Alberta

THOMAS J. WALLACE

Independent Geologist
Sidney, B.C.

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Barrister and Solicitor
Calgary, Alberta

HOWARD MACKIE

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**STOCK
EXCHANGE
LISTING** The Alberta Stock Exchange
Trading Symbol: RBR

FOR FURTHER INFORMATION CONTACT

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